

A. Background

The primary functions of the Department of Finance (Finance) are to prepare, enact, and administer the state's annual financial plan (budget); establish appropriate fiscal policies to carry out the state's programs; develop and maintain the California State Accounting and Reporting System (CALSTARS); and monitor/audit expenditures by state departments to ensure compliance with law, approved standards, and policies.

In 2001 Finance established a new unit, currently called the Budget Systems Development Unit (BSDU), to document Finance's budget development processes, propose changes to those processes through a business process re-engineering study, and prepare a Feasibility Study Report to replace its legacy systems. The team was charged with exploring ways to improve the efficiency and quality of those processes through the appropriate use of new technologies.

The business process re-engineering study was finalized in March 2005 and a Feasibility Study Report (available at http://www.dof.ca.gov/HTML/BIS/BIS_Home.asp) was completed and approved in July 2005 to formally initiate the Budget Information System (BIS) Project. The project plan is to replace Finance's existing legacy systems with a commercial-off-the-shelf (COTS) budget information system that will be implemented by a system integrator. A comprehensive statewide financial system, beginning with the budget component, will be developed to support the state's fiscal and policy decision processes and when fully implemented to support the budget development and administration needs of departments and agencies. The BIS Project will also address various information and budget deliberation needs of the Legislature. To support this transition, Finance must evaluate the state's current chart of accounts and propose a strategy for updating the chart of accounts. In addition, Finance must develop detailed requirements to support the procurement of both a COTS software product and retain a system integrator to ensure the state's needs are met.

B. Current Chart of Accounts

The current chart of accounts is essentially the Uniform Codes Manual (UCM) available at the Finance website: <http://www.dof.ca.gov/html/calstars/ucm.htm>, and was developed over 25 years ago by a group led by Finance. In addition to using a uniform coding system for reporting to the State Controller, agencies use this coding system, or chart of accounts, for budgetary purposes. The Governor's Budget, the Budget Bill, and the records of the State Controller utilize a uniform coding system to permit a comparison of budgeted disbursements to actual disbursements, and estimated receipts to actual receipts.

Every agency, department, commission, and board within state government use these account codes when preparing and reporting budgeted and actual data. The accounts encompass organization, general ledger, program, object (line item), receipt, funding source/appropriation, and fund classifications. Each of these classifications constitutes a separate section of the codes manual:

- Organization Codes
- General Ledger Codes
- Department Codes
- Object of Expenditure Codes
- Receipt Codes
- Funding Sources/Appropriation Codes
- Fund Codes

The chart of accounts must be updated because departments' management needs and reporting structures have changed dramatically. Additionally, it has become increasingly important to compile financial and other information on a statewide basis. For these reasons both individual departments and state control agencies are exploring enterprise-wide business solutions. An updated chart of accounts will ensure that all departments and systems can interact and share compatible data. Finally, the update is necessary to support BIS and other enterprise-wide efforts currently in progress, such as the State Controller's 21st Century Project. For this activity to best meet statewide needs, department information and expertise will be a critical component of a chart of accounts evaluation and redesign strategy.

Finance initiated a survey of departments which will form a starting point for the chart of accounts and standards deliverables identified in Section VI, Business Requirements.

C. Information Systems Overview

Finance's current data computing environment consists of multiple mainframe (legacy) systems as well as client/server and web-based systems. Its mainframe budget systems were developed individually to support different phases of the state's budget process. Finance's mainframe budget applications run on the Triplex processor (MVS) at the Teale Data Center. These applications are written in Natural programming language using an IBM DB2 relational database.

At the time these systems were developed, the decision support needs of the department were not as complex or time sensitive as they are today. Because of this, Finance has been using various work-around decision applications, such as Excel, Word, and Access, to track, record, and report on the decision process, as the current systems are unable to provide enhanced functionality. The proliferation of these stand-alone work-around systems and spreadsheets has resulted in a number of significant challenges including:

- Data redundancy—the types of data managed across many of the systems is similar in nature, with the same data often keyed in to multiple systems.
- Widespread lack of integration—since these systems are not integrated, data must be re-keyed in each of the applications. This creates a highly redundant processing environment that makes reporting extremely difficult and increases the potential for errors resulting from data input.
- Reliance on spreadsheets/Access database for important budget data—numerous spreadsheets have been used to compensate for functionality not present in the existing mainframe systems. While Excel is an effective productivity tool, it is not intended to serve as a data store for important business data. In addition, Excel has limitations in the amount of data that can be stored in each cell and formatting constraints, which significantly reduces the amount of useful information that can be presented to support the decision process. The reliance on Excel based processes and the lack of data integration exposes Finance to data integrity risks and limits its ability to conduct reliable statistical analyses, analytical reporting, and trend analyses. In addition, a small Access database was developed specifically for decision tracking as an attempt to reduce reliance on cumbersome, large spreadsheets. However, this application does not address all of the current data needs and similar to Excel has formatting limitations. Therefore, both spreadsheets and Access continue to be used throughout the budget process. These tools do not meet current data needs and are therefore less useful for decision support than desirable.

California is the seventh largest economy in the world (\$1.446 trillion gross state product with an annual state budget of over \$100 billion dollars). Given the importance of the state's budgeting process, there is significant demand for accurate budget information and flexible budget processes to support the state's fiscal and policy decision processes. Yet, as described above, the state's budgeting systems are cumbersome, resource consuming, and at risk for failure.

The BIS solution will be the foundation to replace Finance's aging budgeting systems and to implement a single comprehensive budget application supporting the state's fiscal and policy decision processes.